

Media, PA – Addressing an overflowing crowd at the Delaware County Chamber of Commerce, Congressman Joe Sestak (PA-07) explained the need for immediate action on a stimulus bill to prevent the economy from worsening further and businesses from experiencing even greater hardships.

The Congressman explained that in December, 524,000 more Americans became unemployed -- for a total of 2.6 million jobs lost over the twelve preceding months -- and the unemployment rate surged to 7.2%, which is a 16 year high. Further, household net worth has fallen close to \$13 trillion since peaking a year ago, primarily because of a 25% decline in house prices and a 40% decline in stock prices. In addition, approximately 38 states are now in recession; retail sales, vehicle sales and industrial production are plunging downward; and, a January increase in unemployment insurance claims suggests another monthly loss of over 500,000 jobs. At the same time, state tax revenue growth has slowed as home sales, property values, and corporate profits have all fallen, which has led to a gap between state and local government revenues and their expenditures of over \$100 billion -- a record -- in the third quarter of 2008.

Detailing his support for the Economic Stimulus Bill, the Congressman asserted, "Not doing this will mean that in the first six months of 2009, 2.6 million Americans will lose their jobs (equivalent to the total job loss since 2007), further negatively impacting a staggering economy. This package -- which could include more tax relief for even more immediate relief (although most tax cuts give an approximately \$1.20 increase in GDP for every \$1 invested) -- is needed for both immediate relief that saves and then creates 3 million jobs and for a substantial and long lasting boost to the staggering economy. Our foremost priority must be to reduce the financial strains felt by millions of American families, while simultaneously stabilizing our economy."

"It will be exponentially worse if no action is taken, as we will lose 4.2 percent of our GDP this year and 2.2 percent in 2010 if we do not act," said the Congressman. "If we also focus the additional \$350 billion of TARP funding recently approved on purchasing distressed mortgage securities, giving them clarity as to their price so as to attract private investment; and have Congress legislate a comprehensive mortgage foreclosure bill that includes forgiving portions of the mortgage itself; and, pass this stimulus bill, we can reach, by the end of 2010, the GDP-level of 2007. Otherwise, we cannot go back to our normal unemployment rates until 2014."

"This stimulus is a vital part of the effort required by government to immediately salvage jobs

that are hemorrhaging as states and businesses cut programs and payrolls, as well as give funding relief to cash-strapped citizens and businesses,” said Congressman Sestak. “We must invest in the job creation and tax relief programs that will generate the needed jobs of the future.”

Specifically, the business provisions of the Economic Stimulus Bill provide:

Economic Stimulus Benefits for Businesses -- Detailed Information

Small Business Tax Incentives and Support to Create Jobs and Spur Investment (\$30 billion over 10 years and Creating 400,000 Jobs)

- These provisions are designed to help entrepreneurs not only survive the recession, but to create jobs and put us back on a path of economic growth. In recent months, smaller firms have struggled with plunging consumer demand, while also finding that needed credit has been shut off in frozen financial markets. The small business provisions in the legislation are designed to help address these problems with new authorities for the Small Business Administration and targeted tax relief for small businesses. As is noted in greater detail below, the bill will:

Repeal the onerous 3% withholding tax on payments to government contractors

- Permit the Small Business Administration (SBA) to guarantee up to 95 percent of qualifying small business loans by eligible lenders (up from 85 percent), thereby encouraging lenders to lend;
 - Provide the SBA with new authority to unclog the secondary market for SBA-backed loans;
 - and
 - Allow businesses to improve cash flow by providing a 5-year carryback of net operating losses (NOLs).

Extension of bonus depreciation:

- Businesses are allowed to recover the cost of capital expenditures over time according to

a depreciation schedule. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.

Extension of enhanced small business expensing:

- To help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write off up to \$125,000 (indexed for inflation) of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000 (indexed for inflation). Last year, Congress temporarily increased the amount that small businesses could write off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009.

5-year carryback of net operating losses:

- Under current law, net operating losses may be carried back to the two years before the year that the loss arises (the “carryback period”) and carried forward to each of the succeeding twenty years after the year that the loss arises (the “carryforward period”). Losses that are carried back may generally only be used to offset ninety percent (90%) of a taxpayer’s alternative minimum tax liability. For 2008 losses and 2009 losses, the bill would extend the maximum carryback period for net operating losses from two years to five years and would allow net operating loss carry backs to be used to offset one hundred percent (100%) of the taxpayer’s alternative minimum tax liability. The 2008 losses and 2009 losses eligible for this carry back provision will be, at the election of the taxpayer, for either (1) losses incurred in taxable years ending in 2008 and 2009 or (2) losses incurred in taxable years beginning in 2008 and 2009. The net operating losses of companies electing this carry back provision will be reduced by ten percent (10%). This benefit would be denied to companies that received money from the Temporary Asset Relief Program, Fannie Mae, and Freddie Mac.

By allowing businesses to improve cash flow by providing a 5-year carryback of net operating losses (NOLs), the bill would allow businesses to write off 90% of losses incurred in 2008 and 2009 against taxes assessed over the previous five years (current law limits NOL carryback to the previous two years). This would not be available to companies that have benefited under the TARP.

Incentives to hire unemployed veterans and disconnected youth:

- Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees:
 - (1) unemployed veterans; and,
 - (2) disconnected youth.
- An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during 2008, 2009 or 2010 and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

Repeal of Treasury Section 382 Notice:

- Last year, the Treasury Department issued Notice 2008-83, which liberalized rules in the tax code that are intended to prevent taxpayers that acquire companies from claiming losses that were incurred by the acquired company prior to the taxpayer's ownership of the company. The bill would repeal this Notice prospectively.

Small Business Credit:

- \$430 million for new lending assistance and loan guarantee authorities to make loans more attractive to lenders and free up capital. The number of loans guaranteed under the SBA's 7(a) business loan program was down 57% in the first quarter of this year compared to last.

Rural Business-Cooperative Service:

- \$100 million for rural business grants and loans to guarantee \$2 billion in loans for rural businesses at a time of unprecedented demand due to the credit crunch. Private sector lenders are increasingly turning to this program to help businesses gain access to capital.

Industrial Technology Services:

- \$100 million, including \$70 million for the Technology Innovation Program to accelerate research in potentially revolutionary technologies with high job growth potential, and \$30 million for the Manufacturing Extension Partnerships to help small and mid-size manufacturers compete globally by providing them with access to technology.

Economic Development Assistance:

- \$250 million to address long-term economic distress in urban industrial cores and rural areas distributed based on need and ability to create jobs and attract private investment. EDA leverages \$10 in private investments for \$1 in federal funds.

In the 7th District, the current economic crisis adds to the fact that over the past eight years, health premiums have increased nearly 100%; education over the past six years at a public university has soared over 65%; and real income has not kept pace with inflation as over 50% of the District's families have less real income today than in 2001.

Therefore, the American Recovery and Reinvestment Act injects \$819 billion (approximately 5% of GDP) into the economy through approximately \$275 billion in tax cuts for individuals and small businesses -- providing 95% of American workers with an immediate tax cut -- and approximately \$550 billion in increased government investment, of which 75% would be spent in the first 18 months. This bill is designed to both provide quick relief and a significant boost to our economy.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a

series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.

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